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SIPDIS
AMEMBASSY BELGRADE PASS TO AMEMBASSY PODGORICA

E.O. 12958: DECL: 2020/01/27

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SUBJECT: Estonian Finance Minister Bullish on Euro, Skeptical on Russia

CLASSIFIED BY: Marc Nordberg, Pol/Econ Chief, Department of State,
Political & Economic Section; REASON: 1.4(B), (D)

11. (C) SUMMARY: In their introductory meeting January 15, Finance Minister (and former Minister of Defense) Jurgen Ligi told the Ambassador that the U.S. is Estonia's example to follow as a free market society and that he was confident Estonia would accede to the euro on schedule on January 1, 2011. Ligi added the current government had not paid a political price so far for the measures it has taken in pursuit of the euro and he hoped this continued in the March 2011 parliamentary elections. Ligi conceded Ambassador's point that Russia could be an economic advantage for Estonia, but added that the GOE does not dictate Estonian-Russian relations - those are "controlled by the Kremlin." These themes were echoed by leading Estonian economic experts during a luncheon hosted by the Ambassador January 21. END SUMMARY.

EURO ACCESSION

12. (C) Finance Minister Jurgen Ligi told Ambassador during their introductory meeting January 15 the GOE was able to stay on track for euro accession despite the economic crisis because Estonians believe in political stability and are "more commonsense" than the rest of Europe. Joining the euro zone was not simply a goal, he continued, but "an instrument for stimulating the society." Ligi added that there were additional difficult structural changes that must be made to the budget and benefits system, as the IMF and European Commission have noted.

13. (C) Ligi stated he expects to see economic recovery by the end of the year and "before the election," although unemployment will remain high. (NOTE: Estonian parliamentary elections are scheduled for March 2011. END NOTE.) Ligi added he hoped for "political forgiveness from the people" for the difficult measures the GOE had taken in order to join the euro zone.

RELATIONS WITH RUSSIA

14. (C) Ligi agreed with the Ambassador's suggestion that bordering

Russia can be an economic advantage for Estonia, but noted that no matter what the GOE does, the Kremlin and its politics controls the relationship. Additionally, Ligi stated the more military security Estonia has, the more confident it can be in its economic and other relations with Russia.

¶5. (C) Ligi was pleased the EU has started to take energy independence more seriously. However, he noted Estonia cannot be too loud on energy security issues within the EU, because western Europeans would think "we are just hostile little neighbors of Russia."

ECONOMIC LEADERS ECHO LIGI'S SENTIMENTS

¶6. (SBU) In a luncheon hosted by the Ambassador January 21, a wide range of Estonian economic leaders and experts echoed Minister Ligi's sentiments, particularly regarding his confidence in the accession to the euro. However, they were concerned that Estonia had lost its low-cost labor advantage within the region. In order to become more competitive, they stated Estonian entrepreneurs needed to acquire international market skills and learn how to profitably connect universities, business and government.

ECONOMIC NEXT STEPS

¶7. (SBU) COMMENT: Both the Minister and Estonia's economic elite welcomed the Ambassador's strong interest in enhancing U.S.-Estonia commercial ties, and looking closely and actively at what makes the most sense in promoting the economic interests of both countries. The Ambassador suggested Mission officers work with Estonian business interests and the AmCham with an eye toward developing some ideas on marketing and entrepreneurship. END COMMENT.
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